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## UPDATE 3-Altimo looks to combine with major European telco

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(Adds details from interview, quotes from conference)

By Ercan Ersoy

ISTANBUL, April 17 (Reuters) - Russian telecommunications firm Altimo is looking for opportunities to combine its emerging market assets with those of a leading European telecom company to create a company similar in size to Vodafone (VOD.L: Quote, Profile, Research), Altimo's CEO said on Tuesday.

A deal with such a leading European telecoms firm could be reached within 1-1/2 years, Altimo Chief Executive Alexei Reznikovitch told Reuters in an interview.

He also said the company planned a joint initial public offering in Moscow and London, possibly in three years.

"We look for opportunities to combine our emerging market assets with assets of a leading European telecom company to create a company similar to Vodafone in size," he said.

Reznikovitch told a news conference his company planned to keep its interest in leading Turkish mobile phone company Turkcell (TCELL.IS: Quote, Profile, Research) (TKC.N: Quote, Profile, Research), currently at 13.2 percent, until it achieves its "potential real value".

The CEO said he was optimistic Turkcell would perform well in 2007, and that the firm was important to Altimo reaching a target value of \$30-35 billion within three to four years.

Altimo is also looking to make an investment in a telecom firm in southeast Asia, the CEO said.

He added that he expected Russian operator MegaFon, of which it is a shareholder, to control a third of the Russian telecommunications market by the end of 2008, compared with an end-2006 market share of 20 percent.

### COURT CASE

Earlier, Altimo announced it had opened a court case against its Turkish partner in Turkcell, Cukurova, in the Virgin Islands for contract breaches.

Reznikovich told the news conference Cukurova should repay its \$1.35 billion outstanding debt "as soon as possible." Earlier Altimo had said in a written statement in Turkish that Cukurova should make the repayment immediately.

Under a previous deal, Altimo lent Cukurova \$1.7 billion and took a 13.22 percent stake in the Turkish telecom giant.

But Altimo said the firm defaulted on payments 16 times and that it took out further loans worth several hundred millions of dollars, which was contrary to the original contract.

"It has been established that Cukurova has repeatedly breached its contract. Because of the large size of the loan, Altimo is forced to take necessary precautions to protect itself," the company said earlier on Tuesday in a statement.

Reznikovich said any borrowing should have been approved by Turkcell shareholders.

Teliasonera has also opened an arbitration case against Cukurova, which may force the Turkish firm to sell its stake in Turkcell.

"This may have severe consequences for the Cukurova Group. It is not possible to reverse any of these deals, but it is possible for TeliaSonera to claim multi hundred million dollar damages from Cukurova," said Reznovich.

Cukurova declined to comment.

Turkcell is 37 percent owned by Nordic telecoms firm TeliaSonera (TLSN.ST: Quote, Profile, Research) and 21 percent by Turkey's Cukurova Holding.

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